

DRAFT

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
SCOTTSDALE CONVENTION & VISITORS BUREAU
4343 NORTH SCOTTSDALE ROAD, SUITE 170
SCOTTSDALE, ARIZONA
JULY 18, 2006
MINUTES**

MEMBERS PRESENT:

Ned Sickle, Chairman
John Holdsworth, Vice-Chairman
Kate Cavaliere, Commissioner
Margaret Dunn, Commissioner (arrived at 8:12 am)
Kieran MacDonald, Commissioner (arrived at 8:10 am)
Gordon Zuckerman, Commissioner

ABSENT: Sally Shaffer, Commissioner

STAFF: Craig Clifford, Financial Services
Lisa Gurtler, Financial Services
Lee Guillory, Financial Services
Jennifer Hawkes, Economic Vitality Department
Kathy Montalvo, Economic Vitality Department
Kathy O'Connor, Tourism Development Manager
Dave Roderique, Economic Vitality Department

OTHERS PRESENT FOR ALL OR PART OF THE MEETING:

Carla, McDowell Sonoran Conservancy
Brent DeRaad, SCVB
Dan Tavritsky
Lauren Kapinos, SCVB
Genia Kehayes, SCVB
Rachael Pearson, SCVB
Lauren Simons, SCVB
Caroline Stoeckel, SCVB

1. **CALL TO ORDER**

Chairman Sickle called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:06 a.m.

2. **ROLL CALL**

A formal roll call confirmed members present as stated above.

3. **APPROVAL OF JUNE 20, 2006 MINUTES**

COMMISSIONER CAVALIERE MOVED TO APPROVE THE MINUTES OF THE JUNE 20, 2006 MEETING. COMMISSIONER HOLDSWORTH SECONDED THE MOTION, WHICH CARRIED BY A UNANIMOUS VOTE OF FOUR (4) TO ZERO (0).

4. **BED TAX PROFORMA**

Ms. Guillory reported changes to the pro forma since the last meeting; the most significant being the removal of the FY05/06 budget column. Preliminary FY0506 revenue figures have been finalized, and are included in the current pro forma. Expenses have not yet been finalized therefore those numbers have not been changed. The IT upgrade and the potential performance incentive have been moved over to the FY06/07 column, resulting in an increase to the bottom line carryover balance. Additional changes reflected include the budget revenues in FY07/08 and FY08/09, resulting in a 4% increase tied to the 5-year budgeted plan.

Vice-Chairman Holdsworth inquired regarding the debt service for WestWorld. Mr. Clifford explained that payments for the land will begin in the coming fiscal year.

5. **MONTHLY UPDATES**

- **Bed-tax Staff Report (Attachment 3)**

Ms. O'Connor noted that the current staff report reflects a very positive 9% increase for the month of May. Revenue expenses for FY05/06 will be finalized by September. Hotel/motel tax and restaurant tax percentages were up the entire year.

Ms. O'Connor requested that Commissioners share comments and forecasts pertaining to the remainder of the calendar year.

Commissioner MacDonald reported continuing high demand in the fall, in line with last year's growth. Summer appears to be strong from the leisure standpoint, but not as buoyant on the group side of things. The trend continues to be positive. Commissioner Zuckerman concurred, noting similar results.

Chairman Sickel reported that preliminary numbers for next year reflect an expectation of an 8 to 10% increase, continuing to be another strong year.

Vice-Chairman Holdsworth stated that the industry trend is generally very positive with RevPar exceeding original hopes. He noted that there is some concern regarding the softening of occupancy in the business markets. Demand is outstripping supply, which he stated is helpful. Trends are encouraging, but not yet back to levels experienced in the year 2000. Commissioner MacDonald concurred, noting that continuing RevPar growth will be driven by increased rates.

Referring to the softening of the business arena, Commissioner Dunn asked if high tech aspects such as e-mail are lowering the need for business meetings. Chairman Holdsworth acknowledged that technology has an implication on the softening market, but stated that the major contributor pertains to rate. He cited that a replacement cycle of base business/low rate business is occurring, which starts to drop occupancy in favor

of rate. There is a certain segment of the market that will continue to buy regardless of the rate because it needs to be there, but there is another segment that drops away.

In response to inquiry by Commissioner MacDonald, Vice-Chairman Holdsworth confirmed that his comments pertain to individual business travel as opposed to group travel.

Mr. Clifford shared some details regarding research performed by the Tax Audit Department related to condo conversions. The findings were that there are some conversions occurring in Scottsdale, but it does not appear to have a large impact on sales tax. Bed tax rates will be impacted, although not significantly enough to cause concern at this point. Mr. Clifford volunteered to forward a copy of the report to Ms. O'Connor.

A brief discussion ensued regarding the impacts of condo conversions. Chairman Sickel asked about other cities that had tried to tap into the conversion market from a bed tax standpoint. Mr. Roderique stated that typically if the condo is not utilized by an owner and goes into a rental pool, bed tax is charged on the unit. Mr. Clifford explained that the City obtains a rental tax and construction sales tax on condo conversions, but does not receive bed tax.

In response to inquiry by Commissioner MacDonald regarding receipt of bed tax on short-term rentals, Mr. Clifford explained Scottsdale's model tax code governing how tax is obtained on rentals. Brief discussion regarding property tax issues in other cities and internet bookers ensued.

- **Smith Travel Research Lodging Report (Attachment 4)**

Ms. O'Connor noted slight declines in occupancy, but the average rate and RevPar continue to show very positive growth. Occupancy declined a point and a half in May. Average rate was up 11% and RevPar was up 9.4%.

- **Project Status**

Ms. O'Connor referred to the meeting schedule for FY06/07 contained in the meeting packet and noted that the retreat is scheduled for November 14th. The January and February meeting dates are scheduled on alternate dates during the month due to the Martin Luther King and President's Day holidays. Pursuant to request by Commissioner MacDonald, Ms. O'Connor explained that the retreat is scheduled for the hours of 9 am to 2 pm.

- **SCVB Information Technology**

Ms. O'Connor recalled the previous meeting discussion. Mr. Roderique assured the Commission that the request will move forward; the question is how to structure it in such a way that it resolves the legal structure issues identified by City staff. Mr. Roderique explained the concerns expressed by the City Manager and reiterated staff's intent to resolve the issues and move the request forward. He expects that a restructured proposal will be ready for review by the Commission at the August Tourism Development Commission meeting.

Chairman Sickie inquired about the general process and timetable for moving forward. Mr. Roderique acknowledged that formal approval of the new proposal in August could result in the formal recommendation to City Council in mid-September. If then approved by City Council, funds could be allocated shortly thereafter.

Commissioner MacDonald reiterated his concerns related to the timing of communication regarding the issues. Mr. Roderique offered an apology, acknowledging that the missed budget deadline was an issue directly related to a matter of unexpected circumstances. He reiterated that the funds are still available and the project will move forward.

Commissioner MacDonald acknowledged that the end result is achieved if the direction staff is taking now will result in those funds being provided, but he noted a separation between the strategic plan and the particular issue, and expressed discomfort about the manner in which the project is going to be achieved.

Mr. Roderique acknowledged that there could be different mechanisms for implementation and assured the Commission that thorough discussions will occur in order to determine the best way to handle completion of the project.

Vice-Chairman Holdsworth concurred with Commissioner MacDonald's comments, reiterating his concerns regarding the manner in which the issue was presented to the Commission, as well as the timing. Vice-Chairman Holdsworth addressed comments related to contracting with an outside body and the case of it being unusual for that body to add hardware and the fact that the City has never done that before. Acknowledging the stated complications, he cited that the City demands that the CVB provide a line item budget for its expenditures, and as a service provider to the City, the CVB is going to give a price for providing the service and it is up to them how they deliver the results. He opined that the City cannot have it both ways, specifically noting that either the City asks them to do a service at a price which is either accepted or not, but if the City wants line-item issues, the City is going to have to accept the technology and hardware as part of the requirement for the CVB to operate. Mr. Roderique acknowledged that staff agrees, and in future years want to change the way the CVB budget is done to address the CVB's need in the annual contract.

- **Tourism Development Coordinator Position**

Ms. O'Connor reported that several candidates have been interviewed and a top candidate has tentatively accepted the offer and staff are now in the hiring process. Hopefully the person will be on board within the next couple of months.

Commissioner MacDonald posed questions related to the position and context of the function of the position. Mr. Roderique explained that the position will report to Ms. O'Connor and shared details related to the new person's professional experience. Mr. Roderique explained that the role of the new position is to handle the day-to-day operational aspects of the tourism area, which includes working with the events, assisting on the attractions and performing administrative duties to help free Ms. O'Connor's time up to focus on strategic issues.

Ms. O'Connor noted that Commissioner Dunn's first three-year term expires in September and the City Clerk's office will be accepting applications. Applications are due by August 19th.

Addressing Vice-Chairman Holdsworth's previous question related to funding, Ms. O'Connor noted that she attended a recent WestWorld user group meeting and reported that those users were very complimentary and appreciative of the improvements at WestWorld.

Vice-Chairman Holdsworth inquired regarding the status of the Barrett Jackson contract. Mr. Roderique reported that Craig Jackson is committed to remaining in Scottsdale and has an interest in expanding operations in Scottsdale as well as purchasing additional property, however, the specific details related to the current vision are in the evolutionary stage and much is yet to be determined. Mr. Roderique identified that Craig Jackson has a commitment to the facility which was entered into years ago and continuing efforts are to turn this into a long-term contractual relationship.

6. **DESERT DISCOVERY CENTER UPDATE**

Ms. O'Connor referred to the materials in the meeting packet pertaining to the meeting of the two subcommittees of the McDowell Sonoran Preserve Commission. Ms. O'Connor and Commissioner Cavaliere attended that meeting.

Addressing the current status, Ms. O'Connor clarified that the City Manager has asked City staff to look at the possibility of some type of a business plan that can be provided to the Planning Committee to assist in fund-raising efforts.

Commissioner Cavaliere noted that many outstanding issues were addressed at the meeting.

Chairman Sickie noted the subcommittee's recommendation that the facility be a City operated facility and requested enlightenment of the subcommittee's perspective. Ms O'Connor clarified that the highlights are the result of the subcommittee's efforts, and not necessarily reflective of the Tourism community's vision or the feasibility update. She recalled that the reason this recommendation surfaced was it was the sub-committees' opinion that with a private/non-profit, issues could become more political than if it was city operated. There was also a financial component to the recommendation regarding operational shortfalls.

Commissioner MacDonald inquired about the operational shortfalls in the event the facility was managed by the City. Ms. O'Connor noted some possible scenarios but also acknowledged that the staff report to the City Manager will likely include the pros and cons of various funding options, as opposed to one at the exclusion of another.

Vice-Chairman Holdsworth inquired about the expected timeline for delivering a recommendation to City Council. Ms. O'Connor reported that the City Manager requested information by the time the City Council returns from summer break. Brief discussion ensued regarding the timeline associated with the requested business plan. Mr. Roderique noted that the City Manager suggested a City Council study session regarding the project in late September or October. Mr. Clifford cited concerns he

relayed to the City Manager relative to the lack of information or expertise to put together a legitimate operational business plan. Staff is reviewing the matter. The current strategy is to evaluate as much of it as is possible for a business plan perspective, and identify the areas that need more clarification or feedback.

Vice-Chairman Holdsworth expressed the importance of accelerating the discussion process and getting the project off the ground.

Mr. Clifford opined that until the concept of the public/private partnership is absolutely clear, it will be difficult to put together a business plan. Mr. Roderique expressed hope that City Council will provide some direction in that area during the work study session. Commissioner Cavaliere concurred with Vice-Chairman Holdsworth's desire to see movement on the project, but also acknowledged the importance of the unanswered underlying questions to be addressed by City Council.

Vice-Chairman Holdsworth asked if City Council has indicated the level or the type of its concerns to the Planning Committee. Ms. O'Connor reported that Councilman Nelssen attended the meeting of the two subcommittees.

Mr. Clifford stated that the project is moving in the right direction by holding discussions between the Tourism Development Commission and the Preserve Commission and moving forward to potentially having a work study session with a full City Council.

Carla expressed pleasure that the importance of tourism was included in the recommendations of the two subcommittees, which states that the Tourism Development Commission has to have review and input. Carla explained that the reason for the City ownership recommendation was for political rather than budget reasons. The group felt it is important for the City to retain the overall managerial role and ownership of this facility to avoid becoming heavily involved in a political arena, as well as the logistics of the land being owned by the City.

Carla addressed ongoing efforts to move the project forward, in preparation for the City Council study session to get further direction. She reported meeting with Frank Jacobson who identified the concept of the DDC becoming a City specialty park, similar to McCormick Railroad Park, wherein the City owns, manages and runs the project, but has contracts and partnerships with nonprofits, eliminating some of the costs and needs for City staff.

Carla stressed that it is important to hear tourism concerns relative to the "wow" factor. Mr. Clifford cited the overriding question, from a tourism perspective, of what will direct guests to the DDC and financially support the DDC. He believes this is a fundamental question that needs to be sorted out prior to completing a business plan.

Commissioner MacDonald opined that there are enough elements within the DDC concept/plan, but ensuring a customization opportunity combined with effective communication could contribute to the "wow" factor. Mr. Clifford acknowledged the challenges of identifying an experience related to the DDC that is not already offered via other vendors in Scottsdale, as well as an agreeable objective related to all aspects of the DDC. A brief discussion ensued regarding the eco-system of the Sonoran Desert and delivering its benefits to tourists via the DDC experience.

Ms. O'Connor addressed the "wow" factor in the plan as it exists, noting that part of the challenge is communicating what opportunities exist in the DDC concept, along with what is not included. She cited that there are other ways of attaching excitement to the project via such avenues as geo-tourism and eco-tourism. She acknowledged the importance of exploring the marketing and packaging of the DDC in order to ensure that the DDC appeals to the broader community. She also affirmed the importance of investing time in the project in order to properly lay all of the pieces into the foundation prior to moving it forward.

Chairman Sickles read the following email from Virginia Korte:

"After joint meetings of the TDC and Sonoran Preserve Commission and the subsequent meeting of the Planning Commission, it appears that the direction of the Desert Discovery Center remains clouded. There are individuals on many sides of the issue. The issue being debated as to what is the DDC really going to be. Several individuals including myself question many of the financial projects proposed by the consultant in the review and evaluation as part of the feasibility study. Projections for fund-raising, membership development, attendance and other revenue sources appear to be liberal without a fallback plan. However, perhaps the discriminating point remains the vision of the DDC, that is what's the Center to be, how's this amenity going to offer value to both our residents and to tourists? How do we, as a community, best celebrate our Sonoran Desert as Scottsdale's true signature site as well as a must see for our visitors? The current plan for what it's worth calls for an access point with minimal facilities for which I do not believe will be the attraction for our visitors. The City Manager most recently directed her staff to begin a business plan. My concern is that a business plan without a defined vision is not really a valid plan. Perhaps it's prudent to step back and take a second or even a third look at all of the potentials for the DDC. I recommend a task force with representatives from the business, tourism, preserve and cultural amenity interests to vet the issues and take an in-depth look at all of the possibilities before us. Our community has committed millions of tax payer dollars to preserve almost a third of our land for open space. I believe that we owe our citizens a comprehensive study to determine the most magnificent possibilities commensurate with our majestic McDowell Sonoran Preserve."

Chairman Sickles inquired about the next steps for the project. Carla acknowledged that Tom Silverman and the Planning Committee will meet with some individuals on Thursday to discuss the task force concept and determine next steps. Chairman Sickles will represent the Tourism Development Commission at the meeting. Carla also noted that the August 3rd Preserve Commission meeting will review the list of recommendations.

7. SCVB Monthly Update

Mr. DeRaad reported that the Rachel Sacco and Richard Bibbee, Chairman of the Scottsdale CVB, have been named to the Arizona Hotel and Lodging Association's Hall of Fame.

Mr. DeRaad presented an overview of the SCVB update included in the meeting packet. Highlights included the television commercials which generated 3700 inquiries out of Chicago during the past year. The preliminary numbers for FY 05/06 indicate that the

CVB met all of the performance measures. A Super Bowl familiarization tour is scheduled to occur during Veteran's Day weekend. The Fiesta Bowl agreement could be coming forward as quickly as August.

In response to inquiry by Chairman Sickie regarding the terms and conditions of the Fiesta Bowl agreement, Mr. Roderique affirmed that the agreement is nearly set, and acknowledged that outstanding issues are related to the Waterfront space itself.

Mr. DeRaad continued the update, noting community agreements with the Towns of Paradise Valley and Fountain Hills, as well as the Maricopa Indian Community. A cross-promotional agreement has just been signed with the Sedona Chamber of Commerce. Mr. DeRaad presented a technology update, noting that three of the CVB servers are at critical levels and a request for replacements has been submitted.

Ms. Kehayes reported that a CVB financial audit will begin on August 9th. A segregated account containing private sector funds has been established and will be used for expenses beyond the CVB's contract with the City. Chairman Sickie requested an update regarding the financial incentive from the City. Mr. DeRaad stated that the incentive will be invested as part of the overall financial package associated with the Fiesta Bowl agreement.

Lauren Simons concluded the CVB update with an overview of the media plan for FY06/07, including highlights of the marketing program. Television spots will continue in Chicago; television commercials will also air in New York and Los Angeles. Additional highlights of the plan include direct mail, a partnership with Food and Wine Magazine, and changes in newspaper and magazine advertising. Ms. Simons also highlighted on-line marketing avenues and the nightlife guide for FY06/07.

In response to inquiries by Chairman Sickie regarding marketing efforts related to the five-year strategic plan, Ms. Simons acknowledged that the Dining and Nightlife guide is targeting more of a Gen-X group and explained that technology enhancements are answering the tactical expectations for the five-year strategic plan. Consumer oriented travel experiences are being shared on the website. Ms. Simons also acknowledged various additional technological advances currently being implemented on the website.

Ms. Simons acknowledged receipt of \$1.3 million in funding from Prop 302 and explained changes that occurred in the program during the year. Ms. Simons concluded with a brief update related to the cooperative advertising program.

Vice-Chairman Holdsworth expressed favor for the advancements on the technology front.

8. ITEMS FROM THE FLOOR

The next meeting of the Tourism Development Commission is scheduled for August 15th. Event producers will be giving presentations at the meeting, along with applications for Commission review.

Commissioner MacDonald inquired regarding the previous meeting discussion relative to the CVB contract review process and the end result thereof. Ms. O'Connor clarified that

the intent is to incorporate the information technology funding into the CVB's contract with the City and a review of the contract on that basis only.

9. **PUBLIC COMMENT**

None.

10. **ADJOURNMENT**

With no further business, being duly moved and seconded, the meeting adjourned at 9:49 a.m.

Respectfully submitted,
A/V Tronics, Inc.